UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 28, 1997

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-183

HERSHEY FOODS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	23-0691590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
100 CRYSTAL A DRIVE HERSHEY, PENNSYLVANIA	17033
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (717) 534-6799

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $1 par value - 112,415,239 shares, as of October 31, 1997. Class B Common Stock, $1 par value - 30,465,908 shares, as of October 31, 1997.

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HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	FOR THE THREE MONTHS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
NET SALES	$1,151,610	$1,072,336

COSTS AND EXPENSES:		
Cost of sales	672,604	613,974
Selling, marketing and administrative	292,593	287,526
Total costs and expenses	965,197	901,500
INCOME BEFORE INTEREST AND INCOME TAXES	186,413	170,836
Interest expense, net	20,558	13,457
INCOME BEFORE INCOME TAXES	165,855	157,379
Provision for income taxes	65,182	63,109
NET INCOME	$ 100,673	$ 94,270
NET INCOME PER SHARE	$ .68	$ .61
CASH DIVIDENDS PAID PER SHARE:		
Common Stock	$ .2200	$ .2000
Class B Common Stock	$ .2000	$ .1800
AVERAGE SHARES OUTSTANDING	147,118	153,712

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
NET SALES	$3,059,808	$2,800,193
COSTS AND EXPENSES:		
Cost of sales	1,792,204	1,633,520
Selling, marketing and administrative	852,857	805,273
Total costs and expenses	2,645,061	2,438,793
INCOME BEFORE INTEREST AND INCOME TAXES	414,747	361,400
Interest expense, net	52,091	36,639
INCOME BEFORE INCOME TAXES	362,656	324,761
Provision for income taxes	142,525	130,229
NET INCOME	$ 220,131	$ 194,532
NET INCOME PER SHARE	$ 1.46	$ 1.26
CASH DIVIDENDS PAID PER SHARE:		
Common Stock	$ .6200	$ .5600
Class B Common Stock	$ .5600	$ .5050
AVERAGE SHARES OUTSTANDING	150,897	154,209

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 28, 1997 AND DECEMBER 31, 1996
(IN THOUSANDS OF DOLLARS)

ASSETS	1997	1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 70,955	$ 61,422
Accounts receivable - trade	436,990	294,606
Inventories	605,517	474,978
Deferred income taxes	96,075	94,464
Prepaid expenses and other	33,071	60,759
Total current assets	1,242,608	986,229
PROPERTY, PLANT AND EQUIPMENT, AT COST	2,572,034	2,422,702
Less - accumulated depreciation and amortization	(924,303)	(820,807)
Net property, plant and equipment	1,647,731	1,601,895
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	553,595	565,962
OTHER ASSETS	52,940	30,710
Total assets	$ 3,496,874	$ 3,184,796

LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1996
CURRENT LIABILITIES:		
Accounts payable	$ 132,547	$ 134,213
Accrued liabilities	386,988	357,828
Accrued income taxes	16,954	10,254
Short-term debt	521,950	299,469
Current portion of long-term debt	25,082	15,510
Total current liabilities	1,083,521	817,274
LONG-TERM DEBT	1,029,147	655,289
OTHER LONG-TERM LIABILITIES	340,631	327,209
DEFERRED INCOME TAXES	268,319	224,003
Total liabilities	2,721,618	2,023,775
STOCKHOLDERS' EQUITY:		
Preferred Stock, shares issued: none in 1997 and 1996	---	---
Common Stock, shares issued: 149,484,964 in 1997 and 149,471,964 in 1996	149,485	149,472
Class B Common Stock, shares issued: 30,465,908 in 1997 and 30,478,908 in 1996	30,465	30,478
Additional paid-in capital	35,814	42,432
Cumulative foreign currency translation adjustments	(34,782)	(32,875)
Unearned ESOP compensation	(29,539)	(31,935)
Retained earnings	1,892,557	1,763,144
Treasury-Common Stock shares at cost: 37,050,155 in 1997 and 27,009,316 in 1996	(1,268,744)	(759,695)
Total stockholders' equity	775,256	1,161,021
Total liabilities and stockholders' equity	$ 3,496,874	$ 3,184,796

The accompanying notes are an integral part of these balance sheets.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF DOLLARS)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
CASH FLOWS PROVIDED FROM (USED BY) OPERATING ACTIVITIES		
Net Income	$ 220,131	$ 194,532
Adjustments to Reconcile Net Income to Net Cash Provided from Operations:		
Depreciation and amortization	114,173	99,173
Deferred income taxes	13,419	17,701
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable - trade	(144,638)	(58,221)
Inventories	(133,530)	(94,191)
Accounts payable	(1,418)	1,295
Other assets and liabilities	68,350	28,496
Other, net	2,293	963
Net Cash Flows Provided from Operating Activities	138,780	189,748
CASH FLOWS PROVIDED FROM (USED BY) INVESTING ACTIVITIES		
Capital additions	(133,821)	(108,493)
Proceeds from divestitures	---	27,499
Other, net	12,785	7,476
Net Cash Flows (Used by) Investing Activities	(121,036)	(73,518)
CASH FLOWS PROVIDED FROM (USED BY) FINANCING ACTIVITIES		
Net (decrease) increase in short-term debt	72,481	51,930
Long-term borrowings	550,000	---
Repayment of long-term debt	(15,540)	(1,984)
Cash dividends paid	(90,718)	(84,698)
Exercise of stock options	10,614	17,733
Incentive plan transactions	(27,394)	(35,850)
Repurchase of Common Stock	(507,654)	(35,743)
Net Cash Flows (Used by) Financing Activities	(8,211)	(88,612)
Increase in Cash and Cash Equivalents	9,533	27,618
Cash and Cash Equivalents, beginning of period	61,422	32,346
Cash and Cash Equivalents, end of period	$ 70,955	$ 59,964
Interest Paid	$ 45,183	$ 36,261
Income Taxes Paid	$ 114,089	$ 94,351

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. These statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and year-to-date period ended September 28, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For more information, refer to the consolidated financial statements and footnotes included in the Corporation's 1996 Annual Report on Form 10-K.

2. INTEREST EXPENSE

Interest expense, net consisted of the following:

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
	(IN THOUSANDS OF DOLLARS)	
Interest expense	$ 55,809	$ 41,073
Interest income	(2,262)	(2,944)
Capitalized interest	(1,456)	(1,490)
Interest expense, net	$ 52,091	$ 36,639

3. NET INCOME PER SHARE

Income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Common Stock outstanding during each period. The lower average shares outstanding for the three months and nine months ended September 28, 1997 primarily reflected the Corporation's purchase of 9,900,990 shares of its Common Stock from the Hershey Trust Company, as Trustee for the benefit of Milton Hershey School (Milton Hershey School Trust) in August 1997. A total of 37,050,155 shares were held as Treasury Stock as of September 28, 1997.

4. INVENTORIES

The majority of inventories are valued under the last-in, first-out (LIFO) method. The remaining inventories are stated at the lower of first-in, first-out (FIFO) cost or market. Inventories were as follows:

	SEPTEMBER 28, 1997	DECEMBER 31, 1996
	(IN THOUSANDS OF DOLLARS)	
Raw materials	$ 262,414	$ 204,419
Goods in process	40,656	31,444
Finished goods	404,370	316,726
Inventories at FIFO	707,440	552,589
Adjustment to LIFO	(101,923)	(77,611)
Total inventories	$ 605,517	$ 474,978

5. ACQUISITIONS AND DIVESTITURES

In January 1996, the Corporation completed the sale of the assets of Hershey Canada Inc.'s PLANTERS nut and LIFE SAVERS and BREATH SAVERS hard candy, and BEECH-NUT cough drops businesses to Johnvince Foods group and Beta Brands Inc., respectively.

In December 1996, the Corporation acquired from an affiliate of Huhtamaki Oy (Huhtamaki), Huhtamaki's Leaf North America (Leaf) confectionery operations and sold to Huhtamaki the outstanding shares of Gubor Holding GmbH (Gubor) and Sperlari S.r.l. (Sperlari). For further information, refer to the Corporation's 1996 Annual Report on Form 10-K.

6. LONG-TERM DEBT

In March 1997, the Corporation issued $150 million of 6.95% Notes due 2007 (6.95% Notes) under the November 1993 Form S-3 Registration Statement. Proceeds from the debt issuance were used to repay a portion of the commercial paper borrowings associated with the Leaf acquisition.

In August 1997, the Corporation filed another Form S-3 Registration Statement under which it could offer, on a delayed or continuous basis, up to $500 million of additional debt securities. Also in August 1997, the Corporation issued $150 million of 6.95% Notes due 2012 (Notes) and $250 million of 7.2% Debentures due 2027 (Debentures) under the November 1993 and August 1997 Registration Statements. Proceeds from the debt issuance were used to repay short-term borrowings associated with the purchase of Common Stock from the Milton Hershey School Trust. As of September 28, 1997, $250 million of debt securities remained available for issuance under the August 1997 Registration Statement. As of September 28, 1997, and December 31, 1996, $150.0 million and $300.0 million, respectively, of commercial paper borrowings were reclassified as long-term debt in accordance with the Corporation's intent and ability to refinance such obligations on a long-term basis.

7. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of September 28, 1997, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, also approximated fair value as of September 28, 1997, based upon quoted market prices, as of those dates, for the same or similar debt issues.

As of September 28, 1997, the Corporation had foreign exchange forward contracts maturing in 1997 and 1998 to purchase $26.4 million in foreign currency, primarily British sterling and Swiss francs, and to sell $21.5 million in foreign currency, primarily Japanese yen and Canadian dollars, at contracted forward rates.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences. As of September 28, 1997, the fair value of foreign exchange forward contracts approximated carrying value. The Corporation does not hold or issue financial instruments for trading purposes.

In order to minimize its financing costs and to manage interest rate exposure, the Corporation, from time to time, enters into interest rate swap agreements to effectively convert a portion of its floating rate debt to fixed rate debt. As of September 28, 1997 and September 29, 1996, the Corporation had agreements outstanding with an aggregate notional amount of $250.0 million and $200.0 million with maturities through 1999 and 1997, respectively. As of September 28, 1997 and September 29, 1996, interest rates payable were at weighted average fixed rates of 6.1% and 5.6%, respectively, and interest rates receivable were floating based on 30-day commercial paper composite rates. Any interest rate differential on interest rate swaps is recognized as an adjustment to interest expense during the period. The Corporation's risk related to swap agreements is limited to the cost of replacing such agreements at current market rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS - THIRD QUARTER 1997 VS. THIRD QUARTER 1996

Consolidated net sales for the third quarter rose from $1,072.3 million in 1996 to $1,151.6 million in 1997, an increase of 7% from the prior year. The higher sales primarily reflected incremental sales from the Leaf acquisition, increased sales of existing domestic confectionery brands and the introduction of new confectionery products. These increases were offset somewhat by lower sales resulting from the divestitures of the Gubor and Sperlari businesses in December 1996 and a decline in sales of pasta and grocery products.

The consolidated gross margin decreased from 42.7% in 1996 to 41.6% in 1997. The decrease reflected the lower margin associated with the Leaf business, higher costs associated with certain new products and seasonal confectionery items, and lower profitability resulting from the mix of items sold in 1997 compared to the prior year, partially offset by lower costs for milk and flour raw materials. Selling, marketing and administrative expenses increased by 2%, as a result of incremental expenses associated with the acquired Leaf operations and increased marketing expenses associated with the introduction of new products. These higher expenses were offset considerably by decreases related to the divestiture of Gubor and Sperlari.

Net interest expense in the third quarter of 1997 was $7.1 million above the comparable period of 1996 primarily as a result of increased borrowings associated with the Leaf acquisition and the purchase of Common Stock from the Milton Hershey School Trust.

The third quarter effective income tax rate decreased from 40.1% in 1996 to 39.3% in 1997 primarily due to changes in the geographic mix of the Corporation's income.

RESULTS OF OPERATIONS - FIRST NINE MONTHS 1997 VS. FIRST NINE MONTHS 1996

Consolidated net sales for the first nine months of 1997 increased by $259.6 million or 9% primarily as a result of the incremental sales from the Leaf acquisition, the introduction of new confectionery products and increased sales of core confectionery items. These increases were offset somewhat by lower sales resulting from the divestiture of the Gubor and Sperlari businesses and a decline in sales of pasta and grocery products.

The consolidated gross margin decreased from 41.7% in 1996 to 41.4% in 1997. The decrease was primarily the result of the lower margin associated with the Leaf business and higher costs associated with certain new products and seasonal items, partially offset by lower costs for certain major raw materials, primarily milk and flour, compared to the prior year. Flour costs, however, remained well above historical levels. Selling, marketing and administrative expenses increased by 6%, as a result of incremental expenses associated with the Leaf business and increased marketing expenses related to the introduction of new products, partially offset by decreases resulting from the Gubor and Sperlari divestitures and reduced marketing spending for existing brands, particularly related to pasta and grocery products.

Net interest expense was $15.5 million above prior year, primarily as a result of increased borrowings associated with the Leaf acquisition and the purchase of Common Stock from the Milton Hershey School Trust.

The effective income tax rate decreased from 40.1% in 1996 to 39.3% in 1997 primarily due to changes in the geographic mix of the Corporation's income.

FINANCIAL CONDITION

Historically, the Corporation's major source of financing has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer, generally have been met by issuing commercial paper. During the first nine months of 1997, the Corporation's cash and cash equivalents increased by $9.5 million. Cash provided from operations and from long-term and short-term borrowings was sufficient to repurchase $507.7 million of the Corporation's Common Stock, finance capital additions of $133.8 million and pay cash dividends of $90.7 million. Cash flows from operating activities were lower during the first nine months of 1997, principally as a result of increases in accounts receivable reflecting the higher sales volume and higher inventory levels. The increased cash generated from other assets and liabilities was primarily related to commodities transactions and the timing of payments for accrued expenses.

The ratio of current assets to current liabilities was 1.1:1 as of September 28, 1997 and 1.2:1 as of December 31, 1996. The Corporation's capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 67% as of September 28, 1997, and 46% as of December 31, 1996. The increase in the capitalization ratio primarily reflected the additional borrowings to finance the purchase of Common Stock and the related decrease in stockholder's equity as a result of the additional treasury stock.

As of September 28, 1997, the Corporation maintained committed credit facility agreements with a syndicate of banks in the amount of $600 million which could be borrowed directly or used to support the issuance of commercial paper. The Corporation has options to increase the credit facility by $1.0 billion with the concurrence of the banks. As of September 28, 1997, and September 29, 1996, the Corporation also had lines of credit with domestic and international commercial banks in the amount of approximately $170 million and $100 million, respectively.

In March 1997, the Corporation issued $150 million of 6.95% Notes under a November 1993 Registration Statement. In August 1997, the Corporation issued $400 million of Notes and Debentures under the November 1993 and August 1997 Registration Statements. As of September 28, 1997, $250 million of debt securities remained available for issuance under the August 1997 Registration Statement. Proceeds from any offering of the $250 million of debt securities available under the shelf registration may be used for general corporate requirements including, reducing existing commercial paper borrowings, financing capital additions, and funding future business acquisitions and working capital requirements.

As of September 28, 1997, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization. The Corporation anticipates that capital expenditures will be in the range of $175 million to $225 million per annum during the next several years as a result of continued modernization of existing facilities and capacity expansion to support new products and line extensions.

RECENT PRONOUNCEMENTS OF THE FINANCIAL ACCOUNTING STANDARDS BOARD

In February 1997, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards No. 128, Earnings Per share (FAS 128). FAS 128 specifies the computation, presentation, and disclosure requirements for earnings per share and is effective for periods ending after December 15, 1997. Adoption of this accounting standard is not expected to have a material effect on the earnings per share computations of the Corporation.

SAFE HARBOR STATEMENT

The nature of the Corporation's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Corporation notes the following factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. The included forward-looking statements address management's expectations about the use of proceeds from any future offering of the remaining $250 million of debt securities available under the August 1997 Registration Statement, the impact of recent accounting pronouncements and anticipated capital expenditures during the next several years. Factors which could cause results to differ include, but are not limited to: changes in the confectionery and pasta business environment, including actions of competitors and changes in consumer preferences; changes in governmental laws and regulations, including income taxes; market demand for new and existing products; and raw material pricing.

PART II

Items 1 through 5 have been omitted as not applicable.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

a) **EXHIBITS**

The following items are attached and incorporated herein by reference:

Exhibit 10 - Copy of the Hershey Foods Corporation Directors' Compensation Plan.

Exhibit 12 - Statement showing computation of ratio of earnings to fixed charges for the nine months ended September 28, 1997 and September 29, 1996.

Exhibit 27 - Financial Data Schedule for the period ended September 28, 1997 (required for electronic filing only).

b) **REPORTS ON FORM 8-K**

A report on Form 8-K was filed August 12, 1997 announcing that the Corporation had purchased 9,900,990 shares of its Common Stock from Hershey Trust Company, as Trustee under the deed of trust with Milton S. Hershey and Catherine S. Hershey for the benefit of Milton Hershey School.

A report on Form 8-K was filed August 14, 1997 announcing that the Corporation had filed a Form S-3 Registration Statement with the SEC registering $500,000,000 of debt securities.

A report on Form 8-K was filed August 22, 1997 announcing that the Corporation entered into an Underwriting Agreement with Goldman, Sachs & Co., with respect to the issuance of certain debt securities. The Corporation also entered into a Pricing Agreement concerning the issuance and sale of $150 million of 6.95% Notes and $250 million of 7.2% Debentures.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HERSHEY FOODS CORPORATION
(Registrant)

Date NOVEMBER 5, 1997

/S/ WILLIAM F. CHRIST

William F. Christ
Senior Vice President,
Chief Financial Officer
and Treasurer

Date NOVEMBER 5, 1997

/S/ DAVID W. TACKA

David W. Tacka
Corporate Controller and
Chief Accounting Officer

EXHIBIT INDEX

Exhibit 10	-	Hershey Foods Corporation Directors' Compensation Plan
Exhibit 12	-	Computation of Ratio of Earnings to Fixed Charges
Exhibit 27	-	Financial Data Schedule for the period ended September 28, 1997 (required for electronic filing only)

EXHIBIT 12

HERSHEY FOODS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN THOUSANDS OF DOLLARS EXCEPT FOR RATIOS)
(UNAUDITED)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
EARNINGS:		
Income before income taxes	$ 362,656	$ 324,761
Add (deduct):		
Interest on indebtedness	54,353	39,583
Portion of rents representative of the interest factor (f1)	8,733	6,454
Amortization of debt expense	257	175
Amortization of capitalized interest	2,618	2,491
Earnings as adjusted	$ 428,617	$ 373,464
FIXED CHARGES:		
Interest on indebtedness	$ 54,353	$ 39,583
Portion of rents representative of the interest factor (f1)	8,733	6,454
Amortization of debt expense	257	175
Capitalized interest	1,456	1,490
Total fixed charges	$ 64,799	$ 47,702
RATIO OF EARNINGS TO FIXED CHARGES	6.61	7.83

[FN]

NOTE:

(f1) Portion of rents representative of the interest factor consists of one-third of rental expense for operating leases.

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF SEPTEMBER 28, 1997 AND CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 28, 1997 AND IS QUALIFIED IN ITS ENTIRETY TO SUCH FINANCIAL STATEMENTS.

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SEP-28-1997
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BALANCE IS NET OF RESERVES FOR DOUBTFUL ACCOUNTS AND CASH DISCOUNTS.

HERSHEY FOODS CORPORATION

DIRECTORS' COMPENSATION PLAN

1

PURPOSE

The purposes of the Directors' Compensation Plan (Plan) are to provide Directors of Hershey Foods Corporation (Corporation) with payment alternatives for the retainer and fees payable for services as a member of the Board of Directors (Board) of the Corporation or as a member or chair of any committee thereof (together, Director Fees) and to promote the identification of interests between such Directors and the stockholders of the Corporation by paying a portion of the retainer in shares of Common Stock, par value $1.00 per share, of the Corporation (Common Stock) and providing Directors the opportunity to elect to receive a greater portion of the retainer in Common Stock.

2

ELIGIBILITY

Any Director of the Corporation who is not an employee of the Corporation or any of its subsidiaries shall be eligible to participate in the Plan.

3

PAYMENT

A Director shall be entitled to Director Fees, in such amounts as shall be determined by the Board, for services on the Board and as a member or chair of any committee of the Board. Except as modified by the Board, at least one-third of the portion of the Director Fees payable as the annual retainer shall be payable in shares of Common Stock. Directors may elect to have all or any portion of such retainer in excess of the one-third minimum to be paid in shares of Common Stock. Fees payable for services as a member or chair of any committee of the Board shall be payable currently only in cash. Any shares of Common Stock payable under this Section 3 shall be paid by the issuance to the Director of a number of shares of Common Stock equal to the cash amount of the retainer so payable divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof. Any fractional share of Common Stock resulting from such payment shall be rounded to the nearest whole share. The Corporation shall issue share certificates to the Director for the shares of Common Stock acquired or, if requested in writing by the Director and permitted under such plan, the shares acquired shall be added to the

Director's account under the Corporation's Automatic Dividend Reinvestment Plan. As of the date on which the part or whole of the retainer is payable in shares of Common Stock, the Director shall be a stockholder of the Corporation with respect to such shares. Unless otherwise elected in Section 4, any remaining Director Fees shall be payable in cash.

4

ELECTIONS

(a) DIRECTOR FEE PAYMENT ALTERNATIVES. A Director may elect any one of the following alternatives for the payment of Director Fees:

(1) to receive currently full payment in cash and Common Stock, as set forth in Section 3 above, on the date or dates on which the Director Fees are payable;

(2) to defer payment of all or a portion of the Director Fees payable in cash for subsequent payment in cash (a "Cash Deferral Election"); or

(3) to defer payment of all or a portion of the Director Fees for subsequent payment in shares of Common Stock (a "Stock Deferral Election").

(b) FILING AND EFFECTIVENESS OF ELECTIONS. The election by a Director to receive payment of Director Fees other than as set forth in Section 3 on the date on which the Director Fees are otherwise payable is made by filing with the

Secretary of the Corporation a Notice of Election in the form prescribed by the Corporation (an Election). In order to be effective for any calendar year, an Election must be received by the Secretary of the Corporation on or before December 31 of the preceding calendar year, except that if a Director files a Notice of Election on or before 30 days subsequent to the Director's initial election to the office of Director, the Election shall be effective on the date of filing with respect to Director Fees payable for any portion of the calendar year which remains at the date of such filing. An Election may not be modified or terminated after the beginning of a calendar year for which it is effective. Unless modified or terminated by filing a new Notice of Election on or before December 31 immediately preceding the calendar year for which such modification or termination is effective, an Election shall be effective for and apply to Director Fees payable for each subsequent calendar year. Director Fees earned at any time for which an Election is not effective shall be paid as set forth in Section 3 on the date when the Director Fees are otherwise payable. Any Election shall terminate on the date a Director ceases to be a member of the Board.

(c) CASH DEFERRAL ELECTIONS. Director Fees deferred pursuant to a Cash Deferral Election shall be deferred and paid as provided in Sections 5 and 7. The Director may elect to defer payment of the Common Stock portion or cash portion, as determined under Section 3, of the Director Fees separately, and any deferral of the portion of the Director Fees payable in Common Stock shall be deemed to be a Stock Deferral Election subject to the provisions of Section 4(d). If only a portion of the Director Fees otherwise payable in cash for a calendar year is deferred pursuant to a Cash Deferral Election, the Director Fees deferred shall be on a pro-rata basis with the Director Fees earned and not deferred (excluding one-third of the annual retainer) during such year after the Cash Deferral Election becomes effective up to the amount of the Director Fees subject to such Cash Deferral Election.

(d) STOCK DEFERRAL ELECTIONS. Director Fees deferred pursuant to a Stock Deferral Election shall be deferred and paid as provided in Sections 6 and 7. The Director may elect to defer payment of the portion of the Director Fees payable in Common Stock in accordance with Section 3 and any remaining Director Fees for later payment in Common Stock pursuant to a Stock Deferral Election. If only a portion of the Director Fees otherwise payable for a calendar year is deferred pursuant to a Stock Deferral Election, the Director Fees deferred shall be on a pro-rata basis with the Director Fees earned and not deferred during such year and payable after the Stock Deferral Election becomes effective up to the amount of the Director Fees subject to such Stock Deferral Election.

(e) PREVIOUS DEFERRAL ELECTION. In addition to the amounts otherwise permitted to be deferred under this Plan, a current Director as of January 1, 1997 who has previously deferred director fees under the Hershey Foods Corporation's Deferral Plan for Non-Management Directors (Prior Plan) may elect to credit any portion of their deferral accounts under the Prior Plan to the Deferred Cash Compensation Account or the Deferred Stock Compensation Account under this Plan. If a Director elects to credit any portion of his account under the Prior Plan to the Deferred Stock Compensation Account, the amount of the credit to such account shall be determined by dividing the account balance under the Prior Plan by the Fair Market Value of a share of Common Stock and rounding the balance to the nearest whole share. Credits shall be made to the Plan pursuant to this Section as soon as practicable after an election form has been filed with the Secretary of the Corporation. Amounts so credited shall become part of a Director's account under this Plan and shall be subject to the terms and conditions of this Plan, except that prior elections as to payment of deferred amounts shall remain in effect. Once amounts are credited to a Director's account pursuant to this Section, they may not thereafter be returned to the Director's deferral accounts under the prior deferral arrangement.

DEFERRED CASH COMPENSATION ACCOUNT

(a) GENERAL. The amount of any Director Fees deferred in accordance with a Cash Deferral Election shall be credited on the date on which such Director Fees are otherwise payable to a deferred cash compensation account maintained by the Corporation in the name of the Director (a "Deferred Cash Compensation Account"). A separate Deferred Cash Compensation Account shall be maintained for each calendar year for which a Director has elected a different number of payment installments or as otherwise may be agreed between the Directors and the Corporation.

(b) ADJUSTMENT FOR EARNINGS OR LOSSES. The amount in the Director's Deferred Cash Compensation Account shall be adjusted to reflect net earnings, gains or losses in accordance with the provisions of the Hershey Foods Corporation Deferred Compensation Plan relating to Investment Credits and Investment Options. The adjustment for earnings, gains or losses shall be equal to the amount determined under (1) below as follows:

(1) DEEMED INVESTMENT OPTIONS. The total amount determined by multiplying the rate earned (positive or negative) by each fund available (taking into account earnings distributed and share appreciation (gains) or depreciation (losses) on the value of shares of the fund) for the applicable period by the portion of the balance in the Director's Deferred Cash Compensation Account as of the end of each such period, respectively, which is deemed to be invested in such fund pursuant to paragraph (2) below. Subject to elimination, modification or addition by the Board, the funds available for the Director's election of deemed investments pursuant to paragraph (2) below shall be the funds available under the Investment Options of the Hershey Foods Corporation Deferred Compensation Plan.

(2) DEEMED INVESTMENT ELECTIONS.

(A) The Director shall designate, on a form prescribed by the Corporation, the percentage, of the deferred Director Fees that are to be deemed to be invested in the available funds under paragraph (1) above. Said designation shall be effective on a date specified by the Board and remain in effect and apply to all subsequent deferred Director Fees until changed as provided below.

(B) A Director may elect to change, on a calendar year basis (or on such other basis as permitted from time to time by the Board), the deemed investment election under paragraph (A) above with respect to future deferred Director Fees among one or more of the options then available by written notice to the Secretary of the Corporation, on a form prescribed by the Corporation (or by voice or other form of notice permitted by the Corporation), at least 10 days before the first day of the calendar year as of which the change is to be effective, with such change to be effective for deferred Director Fees credited to the Deferred Cash Compensation Account on or after the effective date.

(C) A Director may elect to reallocate the balance of his Deferred Cash Compensation Account, subject to limitations imposed by the Board, on a calendar year basis, among the deemed investment options then available. A Director may make such an election by written notice to the Secretary of the Corporation, on a form prescribed by the Corporation (or by voice or other form of notice permitted by the Corporation), at least 10 days before the first day of the calendar year as of which the transfer election is to be effective, with such transfer to be based on the value of the Deferred Cash Compensation Account on the last day of the preceding year.

(D) The election of deemed investments among the options provided above shall be the sole responsibility of each Director. The Corporation and Board members are not authorized to make any recommendation to any Director with respect to such election. Each Director assumes all risk connected with any adjustment to the value of his Deferred Cash Compensation Account. Neither the Board nor the Corporation in any way guarantees against loss or depreciation.

(E) All payments from the Plan shall be made pro rata from the portion of the Director's Deferred Cash Compensation Account which is deemed to be invested in such funds as may be available from time to time for deemed investment elections under the Plan.

(F) The Corporation shall not be required or obligated to invest any amounts in the funds provided as deemed investment options, and such funds shall be used solely to measure investment performance. Further, the Corporation shall not be precluded from providing for its liabilities hereunder by investing in such funds or in any other investments deemed to be appropriate by the Board.

(c) MANNER OF PAYMENT. The balance of a Director's Deferred Cash Compensation Account will be paid to the Director or, in the event of the Director's death, to the Director's designated beneficiary, in accordance with the Cash Deferral Election. A Director may elect at the time of filing the Notice of Election for a Cash Deferral Election to receive payment of the Director Fees in annual installments rather than a lump sum, provided that the payment period for installment payments shall not exceed ten years following the Payment Commencement Date, as described in Section 7 hereof. The amount of any installment shall be determined by multiplying (i) the balance in the Director's Deferred Cash Compensation Account on the date of such installment by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments. The balance of the Deferred Cash Compensation Account shall be appropriately reduced on the date of payment to the Director or the Director's designated beneficiary to reflect the installment payments made hereunder. Amounts held pending distribution pursuant to this Section 5(c) shall continue to be credited with the earnings, gains or losses as described in Section 5(b) hereof.

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DEFERRED STOCK COMPENSATION ACCOUNT

(a) GENERAL. The amount of any Director Fees deferred in accordance with a Stock Deferral Election shall be credited to a deferred stock compensation account maintained by the Corporation in the name of the Director (a "Deferred Stock Compensation Account"). A separate Deferred Stock Compensation Account shall be maintained for each calendar year for which a Director has elected a different number of payment installments or as otherwise determined by the Board. On each date on which Director Fees are otherwise payable and a Stock Deferral Election is effective for a Director, the Director's Deferred Stock Compensation Account for that calendar year shall be credited with a number of shares of Common Stock (including fractional shares) equal to the cash amount of the Director Fees payable divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof, on the date on which such Director Fees are payable. If a dividend or distribution is paid on the Common Stock in cash or property other than Common Stock, on the date of payment of the dividend or distribution to holders of the Common Stock each Deferred Stock Compensation Account shall be credited with a number of shares of Common Stock (including fractional shares) equal to the number of shares of Common Stock credited to such Account on the date fixed for determining the stockholders entitled to receive such dividend or distribution times the amount of the dividend or distribution paid per share of Common Stock divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof, on the date on which the dividend or distribution is paid. If the dividend or distribution is paid in property, the amount of the dividend or distribution shall equal the fair market value of the property on the date on which the dividend or distribution is paid. The Deferred Stock Compensation Account of a Director shall be charged on the date of distribution with any distribution of shares of Common Stock made to the Director from such Account pursuant to Section 6(d) hereof.

(b) Effective January 1, 1997 the Corporation will no longer provide accruals under the Hershey Foods Corporation Non-Management Directors Pension Plan ("Pension Plan"). Effective as of that date, Directors participating in the Pension Plan (other than those who are age 68 or older as of that date who may elect to continue to participate in the Pension Plan) will have their accrual balances as of that date converted into equivalent shares of Hershey Foods Common Stock and these shares will be credited to such Directors Deferred Stock Compensation Account established pursuant to this Section 6. The conversion rate of the accrual to shares will be as determined by the Board of Directors and will not necessarily be as provided for in this Plan.

(c) ADJUSTMENT AND SUBSTITUTION. The number of shares of Common Stock credited to each Deferred Stock Compensation Account shall be proportionately adjusted to reflect any dividend or other distribution on the outstanding Common Stock payable in shares of Common Stock or any split or consolidation of the outstanding shares of Common Stock. If the outstanding Common Stock shall, in whole or in part, be changed into or exchangeable for a different class or classes of securities of the Corporation or securities of another corporation or cash or property other than Common Stock, whether through reorganization, reclassification, recapitalization, merger, consolidation or otherwise, the Board shall adopt such amendments to the Plan as it deems necessary to carry out the purposes of the Plan, including the continuing deferral of any amount of any Deferred Stock Compensation Account.

(d) MANNER OF PAYMENT. The balance of a Director's Deferred Stock Compensation Account including amounts credited pursuant to Section 6(b) will be paid in shares of Common Stock to the Director or, in the event of the Director's death, to the Director's designated beneficiary, in accordance with the Stock Deferral Election. A Director may elect at the time of filing of the Notice of Election for a Stock Deferral Election to receive payment of the shares of Common Stock credited to the Director's Deferred Stock Compensation Account in annual installments rather than a lump sum, provided that the payment period for installment payments shall not exceed ten years following the Payment Commencement Date as described in Section 7 hereof. The number of shares of Common Stock distributed in each installment shall be determined by multiplying (i) the number of shares of Common Stock in the Deferred Stock Compensation Account on the date of payment of such installment, by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments, and by rounding such result down to the nearest whole number of shares. The balance of the number of shares of Common Stock in the Deferred Stock Compensation Account shall be appropriately reduced in accordance with Section 6(d) hereof to reflect the installment payments made hereunder. Shares of Common Stock remaining in a Deferred Stock Compensation Account pending distribution pursuant to this Section 6(d) shall continue to be credited with respect to dividends or distributions paid on the Common Stock pursuant to Section 6(a) hereof and shall be subject to adjustment pursuant to Section 6(c) hereof. If a lump sum payment or the final installment payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based on the Fair Market Value of a share of Common Stock, as defined in Section 12 hereof, on the date immediately preceding the date of such payment. The Corporation shall issue share certificates to the Director, or the Director's designated beneficiary, for the shares of Common Stock distributed hereunder, or if requested in writing by the Director and permitted under such plan, the shares to be distributed shall be added to the Director's account under the Corporation's Automatic Dividend Reinvestment Plan. As of the date on which the Director is entitled to receive payment of shares of Common Stock, a Director shall be a stockholder of the Corporation with respect to such shares.

7

PAYMENT COMMENCEMENT DATE

Payment of amounts in a Deferred Cash Compensation Account or a Deferred Stock Compensation Account shall commence on March 30 (or if March 30 is not a business day, on the first preceding business day) of the calendar year following the calendar year during which the Director ceases to be a member of the Board for any reason, including death or disability.

8

BENEFICIARY DESIGNATION

A Director may designate, in the Beneficiary Designation form prescribed by the Corporation, any person to whom payments of cash or shares of Common Stock are to be made if the Director dies before receiving payment of all amounts due hereunder. A beneficiary designation will be effective only after the signed beneficiary designation form is filed with the Secretary of the Corporation while the Director is alive and will cancel all beneficiary designations signed and filed earlier. If the Director fails to designate a beneficiary, or if all designated beneficiaries of the Director die before the Director or before complete payment of all amounts due hereunder, any remaining unpaid amounts shall be paid in one lump sum to the estate of the last to die of the Director or the Director's designated beneficiaries, if any.

9

NON-ALIENABILITY OF BENEFITS

Neither the Director nor any beneficiary designated by the Director shall have the right to, directly or indirectly, alienate, assign, transfer, pledge, anticipate or encumber (except by reason of death) any amount that is or may be payable hereunder, nor shall any such amount be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Director or the Director's designated beneficiary or to the debts, contracts, liabilities, engagements, or torts of any Director or designated beneficiary, or transfer by operation of law in the event of bankruptcy or insolvency of the Director or any beneficiary, or any legal process.

10

NATURE OF DEFERRED ACCOUNTS

Any Deferred Cash Compensation Account or Deferred Stock Compensation Account shall be established and maintained only on the books and records of the Corporation, and no assets or funds of the Corporation or the Plan or shares of Common Stock of the Corporation shall be removed from the claims of the Corporation's general or judgment creditors or otherwise made available until such amounts are actually payable to Directors or their designated beneficiaries as provided herein. The Plan constitutes a mere promise by the Corporation to make payments in the future. The Directors and their designated beneficiaries shall have the status of, and their rights to receive a payment of cash or shares of Common Stock under the Plan shall be no greater than the rights of, general unsecured creditors of the Corporation. No person shall be entitled to any voting rights with respect to shares credited to a Deferred Stock Compensation Account and not yet payable to a Director or the Director's designated beneficiary. The Corporation shall not be obligated under any circumstance to fund its financial obligations under the Plan, and the Plan is intended to constitute an unfunded plan for tax purposes. However, the Corporation may, in its discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if such arrangement will not cause the Plan to be considered a funded deferred compensation plan under the Internal Revenue Code of 1986, as amended.

11

ADMINISTRATION OF PLAN; HARDSHIP WITHDRAWAL

Full power and authority to construe, interpret, and administer the Plan shall be vested in the Board. Decisions of the Board shall be final, conclusive, and binding upon all parties. Notwithstanding the terms of a Cash Deferral Election or a Stock Deferral Election made by a Director hereunder, the Board may, in its sole discretion, permit the withdrawal of amounts credited to a Deferred Cash Compensation Account or shares credited to a Deferred Stock Compensation Account with respect to Director Fees previously payable, upon the request of a Director or the Director's representative, or following the death of a Director upon the request of a Director's beneficiary or such beneficiary's representative, if the Board determines that the Director or the Director's beneficiary, as the case may be, is confronted with an unforeseeable emergency. For this purpose, an unforeseeable emergency is an unanticipated emergency caused by an event that is beyond the control of the Director or the Director's beneficiary and that would result in severe financial hardship to the Director or the Director's beneficiary if an early hardship withdrawal were not permitted. The Director or the Director's beneficiary shall provide to the Board such evidence as the Board, in its discretion, may require to demonstrate that such emergency exists and financial hardship would occur if the withdrawal were not permitted. The withdrawal shall be limited to the amount or to the number of shares, as the case may be, necessary to meet the emergency. For purposes of the Plan, a hardship shall be considered to constitute an immediate and unforeseen financial hardship if the Director has an unexpected need for cash to pay for expenses incurred by the Director or a member of the Director's immediate family (spouse and/or natural or adopted children) such as those arising from illness, casualty loss, or death. Cash needs arising from foreseeable events, such as the purchase or building of a house or education expenses, will not be considered to be the result of an unforeseeable financial emergency. Payment shall be made as soon as practicable after the Board approves the payment and determines the amount of the payment or number of shares which shall be withdrawn, in a single lump sum from the portion of the Deferred Cash Compensation Account or Deferred Stock Compensation Account, as applicable, with the largest number and in reverse order of installment payments, in each case in accordance with Section 5(b)(2)(E) if the distribution is from the Deferred Cash Compensation Account. No Director shall participate in any decision of the Board regarding such Director's request for a withdrawal under this Section 11.

12

FAIR MARKET VALUE

Fair market value of the Common Stock shall be the average of the closing price for all trading dates for the applicable period covered by a payment. The applicable period for payments or credits being made on May 1 shall be the average of the closing price for all trading dates during the months of December through April. The applicable period for payments or credits being made on December 1 shall be the average of the closing price for all trading dates during the months of May through November. The closing price of the Common Stock for each day within the applicable period shall be as quoted in THE WALL STREET JOURNAL (or in such other reliable publication as the Board or its delegate, in its discretion, may determine to rely upon).

13

SECURITIES LAWS; ISSUANCE OF SHARES

The obligation of the Corporation to issue or credit shares of Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect. If, on the date on which any shares of Common Stock would be issued or credited to a Deferred Stock Compensation Account, sufficient shares of Common Stock are not available under the Plan or the Corporation is not obligated to issue shares pursuant to this Section 13, then no shares of Common Stock shall be issued or credited but rather, in the case of Common Stock to be issued currently, cash shall be paid in payment of the Director Fees payable, and in the case of a Deferred Stock Compensation Account, Director Fees and dividends which would otherwise have been credited in shares of Common Stock shall be credited in cash to a Deferred Cash Compensation Account in the name of the Director. The Board shall adopt appropriate rules and regulations to carry out the intent of the immediately preceding sentence if the need for such rules and regulations arises.

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GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Delaware.

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EFFECTIVE DATE; AMENDMENT AND TERMINATION

The Plan was adopted by the Board on December 4, 1996, and is effective as of January 1, 1997. The Board may amend or terminate the Plan at any time, provided that no such amendment or termination shall adversely affect rights with respect to amounts or shares then credited to any Deferred Cash Compensation Account or Deferred Stock Compensation Account.